NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

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PLANNING OF NATIONAL ECONOMY IN THE USSR

by

A. Korobov

State Scientific Economic Council of the USSR

1. In the 45 years of its existence the Soviet Union has acquired great experience in economic planning which is of interest to all countries that may decide now or later to put their economies on a planned basis.

Any enterprise or business be it large or small, public, cooperative or private is managed in accordance with a program drawn up by its collective or individual owner. The objective of management is to achieve specific targets, laid down by the program mentioned above.

It will, however, be remembered that a private business-man's planning is confined to his business and his production plan cannot be stable as it is very sensitive to changes on the market. In Socialist countries it is possible and necessary to extend planning to all aspects of the national economy i.e. to draw up integrated economic plans. The plan of a separate Socialist enterprise is an integral part of the general economic plan.

Fundamental prerequisites for national economic planning are public ownership of the means and instruments of production, the state monopoly of foreign trade and a democratic state system which has the support of the people and pursues a policy aimed at the continuous improvement of the living standards of working people.

2. In the first months after the October Socialist Revolution the Soviet Government did not nationalize all the means of production. Factory owners were not deprived of their property and even continued to manage their factories.

In the same period workers' control was introduced at all major industrial enterprises of the country which had as its objective to ensure uninterrupted functioning of industry. But even this measure was bitterly opposed by the owners who attempted to blackmail the young Republic with lockouts. In this situation the Soviet Government had to start the nationalization of industry. In the first seven months of its existence the Soviet State nationalized 512 enterprises. These steps were followed by a general decree on the nationalization of 2,000 large enterprises adopted on June 28, 1918.

The Supreme Council of National Economy, the first planning agency of the Soviet State controlled in 1918 50 per cent of the national industrial output.

plan, i.e. to provide for such interconnection and correlation of its elements as would ensure the optimum combination of high rates of growth of production, accumulation and consumption. If this optimum combination is to be attained the country must make full use of all its resources: industrial capacity, natural resources, labour force and all available funds.

It stands to reason that it is impossible to develop all branches of economy at an equally rapid rate. At the initial stage of industrialization when the economic resources of the Soviet Union were relatively small, the State had to establish priorities in economic development. Special efforts were then to be taken to meet the requirements of the priority industries for supplies, investment capital and labour. The State had to give priority to the vital targets of the plan, and the government quite correctly resolved that the basic objective of the period was to overcome the economic backwardness of the country. For this reason the first objective of the plans of this period (the First and Second Five Year plans) was to speed up as much as possible the development of industries that were vital for the technological reconstruction of the whole national economy and for stepping up the rate growth of production. The Soviet State could not, at that time, reckon on foreign aid; it was therefore compelled to restrict investment in consumer goods industries, services and housing. As the economic resources of the State grow it becomes possible to dispense with restrictions as regards the development of certain branches of economy. The number of "low priority" fields shrinks with every passing year. For example, in the USSR the annual rate of capital investment in the light and food industries and in agriculture is now higher than the investment rate in a number of heavy industries.

Nevertheless, the principle of priority targets always remains valid. It is a basic principle of planning indispensible for optimum planning of the entire national economy of the country.

Plans for all branches and fields are worked out on the basis of thorough and detailed integrated technological and economic assessments, supplemented by economic and statistical calculations.

Integrated technological and economic assessment of each target of the plan is a vital element of scientific planning.

Economic i.e. cost - benefit estimates, and integrated technological and economic assessments are used to evaluate the requirements of national economy and the population for specific commodities and services. They are also used to evaluate resources available for meeting these requirements. Of special significance in this respect is a streamlined and rational system of norms for expenditure of materials. Thus requirements for capital goods cannot be evaluated without properly calculated norms for the expenditure of raw and other materials, fuel and energy per unit of the finished product. No less important are capacity utilization (efficiency) standards for plant and equipment.

The conditions needed for planning the national economy were secured by the nationalization of heavy industry, of the State Bank which after 14th December, 1917, became the only organism controlling finance and banking, of transport (railways and the merchant fleet) and of foreign trade.

Large-scale planning dated from 1921, when, at the end of the long period of war and civil war the young Soviet Republic started to rebuild its national economy. The State Planning Commission (Gosplan) was set up on 22nd February, 1921.

3. In the first years of the existence of the U.S.S.R., the national economy was being planned while private capitalism and small peasant property still predominated. In 1922-23 the share of private capital in retail trade was 75%. It was, therefore, quite impossible to apply the plan directly to this part of retail trade or to the output of the small peasant farms or to local artisan industry. The Soviet State employed indirect measures of planning through regulation, mainly by the control of prices, the opening of credits and the organization of trade in particular lines.

Under socialism, with the collectivision of the small peasant farms and the socialisation of private enterprise, it became possible to raise the planning of the national economy of the U.S.S.R. to a higher level.

Since 1931, the State Planning Commission has worked out and the Government has adopted State plans for the national economy, covering not only all the branches of production but also all aspects of the cultural life of the country. A smoothly working system has been developed which runs from the individual enterprise to the State Planning Commission.

The role played by the system of planning created in these years in concentrating the energy and efforts of tens of millions of workers in the task of developing the economy of the country can hardly be overestimated.

4. What are the guiding lines along which the plans for the economic development of the U.S.S.R. are worked out?

Before deciding on the essential tasks to be carried out in the plan, the planning organs make a thorough and detailed analysis from all points of view of the level of economic development already achieved of the rate of growth of existing production, and the proportional relationships between each branch of the economy. The laws of development and the relationships of production empirically established in the course of the preceding years tend to give some guidance in working out the preliminary plans for the future. At the same time, the planning organs of the industrial enterprises, the State farms, the planning commissions of local Soviets, the planning commissions of the federated Republics, and the central planning commission make a serious analysis of the possibilities of the further expansion of production with special attention to the better use of available production capacity and the raising of productivity of labour.

All targets of an economic plan are fixed with two basic underlying factors in view. The first is planning of rates of growth and thus of the final levels of development for the period covered by the plan. The second is structural planning i.e. proportional planning. Rates of growth and proportions are interconnected and this interconnection underlies the plan as regards both its qualitative and quantitative objectives. Failure to take due account of this basic feature of the plan may have grave economic repercussions.

The basic task of the planning team is to draw up an optimal economic

To evaluate the requirements of the population for food and consumer goods our planning agencies rely on consumption norms that are defined by means of research and careful calculations.

In a number of instances especially in long-term planning, when it is difficult to determine a specific target by means of "direct calculation" the planning agency analyses statistics for a number of past years and results of selective surveys with a view to bringing out development trends that the plan must take into account. For example, in order to evaluate the effects of the growth of population's incomes on the demand for consumer goods and services the Soviet planning agencies study reports on selective surveys of family budgets of workers, peasants and office workers.

As has been pointed above a draft plan is drawn up simultaneously for all basic aspects and indices. Targets for major industries and fields are singled out. At the same time balance sheets are drawn for the main items of the plan as each target has to be substantiated and co-ordinated with other targets. A paramount principle of our planning is co-ordination of objectives and targets for various branches of economy and all regions of the country. All elements and components of the plan must be correlated and balanced to ensure proportional economic development. To this end our planning agencies use the method of balance sheet planning, which is employed together with integrated technological and economic assessments, economic estimates at all planning levels, at the factory level, at the Union Republic level and at the national level.

Production plans of separate industries are co-ordinated and correlated by means of balance sheets for specific commodities or commodity categories which are usually drawn in terms of physical units. These balance sheets are worked out to ensure proper co-operation between, and co-ordination of associated industries and to make available resources and requirements dovetail. In recent years wide use has been made of the method of comparative qualitative analysis applied to the balance sheets of commodities that can be used for the same purpose (oil, coal and other fuels; metals and plastics; timber and plastics; timber, metal and concretes). This kind of balance sheet planning is useful for establishing priorities in the production of commodities of the same category. To analyze the process of expanded reproduction the planning and policy-making economic agencies draw up integrated financial balance sheets which cover state revenue and its distribution and re-distribution. Within this category of balance sheets we find the financial plan of Socialist economy, the State budget and also the money circulation plan and the bank credit plan.

Labour balance sheets are used to correlate the requirements for labour with its available resources. At the present time, parallel to a general nation-wide labour balance sheet

our planning organs submit balance sheets for separate categories of the national labour force such as a balance sheet of labour reserves available in agricultural cooperatives, a balance sheet of the skilled industrial labour force, a balance sheet covering school leavers and a balance sheet of personnel with higher and secondary vocational education. Regional labour balance sheets for areas, regions and republics facilitate proper distribution and allocation of available labour and correct geographical distribution of new industry. At a time when science and technology are making quick progress national economy needs an ever growing number of trained personnel: technicians, engineers and others. It is, therefore, obvious that training and assignment of this personnel must also be planned and provided for.

Economic planning, branch and regional plans, co-ordination and correlation of targets and objectives based on material financial and labour balance sheets are in the final analysis all aimed at ensuring balanced economic development, the paramount objective of planning. Provisions were also made for balanced economy to develop at a high and stable rate with rapid growth of both accumulation and public consumption. Keeping economic development on balance and meeting the above requirements is undoubtedly a formidable problem which can be tackled only by planners who are people of great perseverance, and have a perfect knowledge of the country's economy and also of planning theory and practice.

What does a balanced economy imply? It implies that in the final analysis there is complete and proper correlation between the requirements of society in a specific period (as laid down by the plan with due consideration for the level of the country's economic development at the time of planning) and the available resources.

Material, financial and labour balanced sheets discussed above are very important for maintaining correct proportions between separate targets of the plan. Such proportions are indispensible if the country is to have a balanced economy. However, there is another factor that is just as important, viz. the principal economic proportions of reproduction. The principal economic proportions of reproduction are provided for in the integrated balance sheet of national economy which basically consists of the following three sections: (1) a balance sheet plan for the production, circulation, distribution and accumulation of the public product; (2) a balance sheet for the national income and its distribution; (3) an integrated balance sheet for labour force and its distribution between industries and fields of human activity.

Soviet planning agencies now have substantial experience in balance sheet planning which has been greatly improved in recent years. Statistical agencies draw up statistical balance sheets for the past year.

The above discussion has covered principal planning methods used in the USSR. It will, however, be remembered

these methods are not an end in themselves. They are employed to put into practice the principle of "optimalization" which is the principle of maximum economic efficiency of planning.

Optimal planning requires that proper and rational correlation be established between accumulation and consumption, between commodity production and circulation, between industry and agriculture and between the growth rate of labour productivity and that of consumption. The growth rate of labour productivity should be higher than that of consumption as the high growth rate of the former facilitates accumulation and expanded reproduction which in turn makes it possible to allocate more commodities for consumption. If the above proportions are to be maintained, industries producing capital goods should develop at a higher rate than consumer goods industries.

Proper proportions between production, consumption and accumulation must ensure not only the achievement of the targets of the current plant but also lay the foundation for expanded reproduction in the period after its completion. This means that by the beginning of this period there should be a certain amount of unfinished work on construction sites that will ensure continuity of the construction program. Labour required for the same period should be trained beforehand, that economy should have at its disposal sufficient deposits of raw materials already prospected and explored and so on.

Optimal planning also requires that all basic qualitative indices of industry and agriculture should be continuously improved; steps should be taken to make better use of plant and equipment, cut costs and raise economic efficiency of production.

Optimal combination of separate elements and targets is thus tested in accordance with several figures of merit which in effect make up one general criterion of economic effectiveness.

Economic planning which is to meet the above requirements is a matter of tremendous complexity. Planning agencies at the national and local level would be unable to cope with this formidable task if they did not have the assistance of many research institutions, industrial design establishments, public organizations and notably the assistance of the trade unions. Long-term plans are thrown open for nationwide discussion which gives the public opportunities to offer criticism and amendments to draft plans. Optimalization of planning involves as a rule elaboration of several drafts of one plan with the best draft selected and approved after careful discussion and analysis. This method of planning is called in the Soviet Union the method of varient approximations. In recent years wide use has been made of mathematic methods for the selection of the optimum draft plan. This work has so far been confined to finding optimal solutions for specific problems.

5. In the post-war period the Soviet State has taken a number of far-reaching measures to improve the entire system of management and planning at the national as well as at the

local level. The tremendous scale of production in all fields of economy, important growth of the number of highly qualified managerial personnel in regions, territories and national republics and also the need to make better use of untapped local reserves and resources have made re-organization of industrial management and planning an urgent task.

In the pre-war period and in the first years after the war the competence of local administration in the sphere of planning was confined to enterprises of local importance, whereas enterprises of national importance were supervised by the ministries in Moscow. Since 1957 the management and planning of industry and construction has been re-organized. Regional organs were set up (Economic Council of Economic Administrative of Regions) that have taken over management of industry and construction. After the management reform the following procedure for drawing national economic plans has been adopted.

The central planning agencies which work with the assistence of Union Republics, Ministries and other national governing bodies outline a limited number of basic targets of the plan. These basic targets are submitted to the central Government for approval and are used by enterprises, economic councils, regional planning commissions and the planning commissions of Union Republics as the basis for their plans.

Enterprises submit their plans to the economic agency to which they are responsible - the regional economic council, the Regional Soviet of Working People's Deputies, or the republican Ministry. These agencies review the plans submitted by the enterprises and draw up integrated plans of economic development in accordance with the targets sent down by the Union Republic. The integrated plans are submitted to the Planning Commission of the Union Republic involved.

The Union Republics and central ministries and agencies of the country submit their plans to the central planning organs - the State Economic Council and the Economic Commission of the USSR. The State Economic Council draws up national long-term economic plans while the State Economic Commission of the USSR is responsible for current planning. Both long-term and current plans are submitted to the Soviet Government for approval. The approval of a plan is the beginning of the most important stage of planning viz. supervision of plan fulfillment. Supervision of the fulfillment of a national plan calls for co-ordinated efforts of all Goverment and Public organizations and agencies, in the fields of economic management, propaganda and research. Planning agencies have a special role to play in this work. They regularly review the progress achieved and evolve measures to correct disproportions and drawbacks, that may be revealed in one field or another.

6. The experience of economic planning in the USSR emphasizes the importance of the closset possible co-ordination of short term current planning (annual and quaterly plan) with long-term planning (five-year plans, seven-year plans or

plans covering longer periods). Failure to bring annual and quaterly plans in line with long-term planning may give rise to discrepancies and or disproportions in the development of some branches of national economy or regions and may have an adverse effect on national economic development.

At the present time the Soviet Government regards the improvement of long-range planning as a matter of vital importance. To translate into reality the gigantic program of economic development mapped out by the new Programm of the CPSU. Soviet economy needs well substantiated and sound long-term plans based on a scientific approach. We live at a time of rapid technological progress. The planning agencies must keep abreast of the latest developments in science and technology and see to it that new scientific and technological achievements are introduced into national economy without delay. They are also called upon to use the system of long-term planning to encourage this work economically through appropriate economic policies and incentives. Long-term plans have the exclusive function of providing for the construction of projects of national importance and outlining long-range objectives of economic development. They are also important for the enterprises already in operation. They can be used with advantage to improve the organization of production at these enterprises and to plan expansion programs and technological progress. Mention must also be made of the growing importance of long-range plans for the international Socialist division of labour, specialization and co-operation within the Socialist camp.

7. An important feature of the present stage of the Soviet Union's economic development is the need for continuity in planning. Under the system of long-range planning that had been used until a few years ago the economy of the country, the economies of national Republics and individual enterprises had a plan for the next five years only at the beginning of this period. After the first year of the period the republic or the enterprises involved could see ahead only for the next four years. By the end of the second, third and fourth year of the plan their "field of vision" shrank to three years, two years and one year respectively. National economy and its fields can effectively develop only on condition that at any time industrial leaders and executives can see many years ahead. This condition can be met if work on the next annual plan will also include assessment of the basic targets of economic development for the year that will come in a five years' time. For example, when in 1961 our planners drew the plan for 1962 they also outlined the basic targets of the plan for 1966. While working in 1962 on the plan for 1963 the planning agencies are also responsible for outlining the basic targets of the 1967 plan. This system of planning makes it possible to draw each annual plan against the background of the plan for the next five years. It also enables the planners to take into account preliminary estimates of the basic annual targets when working on the next five-year plan.

This paper is a very general description of some problems of economic planning in the Soviet Union. Soviet planning in our country is being continuously developed and improved. We do not overestimate our planning theory and practice as in many respects they are not yet what they ought to be. Nevertheless, we are glad to see that each year brings us closer to an optimal system of planning. Thanks to this progress we are able to enhance each year the effectiveness of the Soviet Union's productive forces

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